

**CITY OF MOUND CITY, KANSAS**

**Independent Auditors' Report,  
Regulatory Basis Financial Statement, and  
Regulatory-Required Supplementary Information  
For the Year Ended December 31, 2019**



# CITY OF MOUND CITY, KANSAS

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# Diehl Banwart Bolton

*Certified Public Accountants PA*

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February 21, 2020

## COMMUNICATIONS WITH THE MAYOR AND CITY COUNCIL

To the Mayor, City Council, and management  
of the City of Mound City, Kansas

We have audited the financial statement of the City of Mound City, Kansas for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 11, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### SIGNIFICANT AUDIT MATTERS

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Mound City, Kansas are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City of Mound City, Kansas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statement was:

Management's estimate of encumbrances and accounts payable is based on goods and services received. We evaluated the key factors and assumptions used to develop the encumbrances and accounts payable estimate in determining that it is reasonable in relation to the financial statement taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statement.

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The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole, except as follows:

The City does not currently record accounts payable. We recorded the following accounts payable for the year ended December 31, 2019:

General Fund	\$ 8,487.44
Water Utility Fund	21,342.81
Sewer Utility Fund	<u>16,010.16</u>
Total	<u>\$ 45,840.41</u>

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 21, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Mound City Kansas' financial statement or a determination of the type of auditor's opinion that may be expressed on the statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Mound City, Kansas' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



### Other Matters

We were engaged to report on the Summary of Regulatory Basis Expenditures – Actual and Budget and individual fund Schedules of Regulatory Basis Receipts and Expenditures – Actual and Budget, which accompany the financial statement and is supplementary information required by the regulatory basis of accounting. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the regulatory basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

### INTERNAL CONTROL ISSUES

In planning and performing our audit of the financial statement of the City of Mound City, Kansas as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Mound City, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Mound City, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mound City, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

### PREPARATION OF THE FINANCIAL STATEMENT

It is the responsibility of management to prepare the City's financial statement and the related notes to the financial statement. It is not uncommon for our firm to assist entities in the preparation of their financial statement because they lack personnel resources with appropriate technical skills, training, and experience. We sometimes prepare significant adjustments as well as assist the City to determine which disclosures are required. Under new revised professional standards, we are still allowed to perform these services as part of our audit. However, we are required to report them as significant deficiencies in internal control. Simply put, our new standards require us to inform the Mayor, City Council, and management in writing if your personnel are not quite capable of preparing the financial statement and all the required disclosures alone.



It is important to note that relying on us, as your auditor, to identify material misstatements in your financial statement and correct them before the audited financial statement is issued, does not eliminate a significant deficiency or material weakness. Simply stated, if you are unable to prepare the financial statement and all the required disclosures without auditor assistance we are required to report this under our professional standards.

### SEPARATION OF DUTIES

An internal control structure is, quite simply, the procedures in effect to insure that funds are properly received, disbursed, and recorded in the accounting records. The essential control feature in a well designed internal control structure is to provide for adequate separation of duties. This means that, to the extent possible, the following functions should be performed by separate individuals:

- Authorization of transactions
- Recording or accounting for transactions
- Custody of or control over the assets
- Reconciliation or review of the work performed

A weakness in the control structure occurs when one person can potentially be involved in all of the accounting activities such as preparation of bills, maintenance of accounting records, and receipts of cash. Although there are two full time employees working in City Hall, the Clerk and the Treasurer, there are times in which one of these persons has access to two or more of the accounting functions that should be separated. There was no indication that funds are missing or have been misplaced. We are simply required by our professional standards to notify the Mayor and City Council whenever there are situations where there can be a lack of separation of duties and when one person can be involved in all of the accounting processes. For a City the size of Mound City, it is almost impossible to eliminate all circumstances where there is a lack of separation of duties. Accordingly, the Council should closely monitor the financial reports provided to the Council including the list of bills paid each month. In addition, the City should continue to maintain a fidelity bond on the Clerk and Treasurer.

We would like to point out that the problems of separation of duties are not unique to your City or to most small cities, school districts, or other not-for-profit organizations, which we audit. As stated previously we found no evidence of any wrongdoing or misappropriation of City funds. We have the responsibility to inform the Council whenever there are inherent weaknesses in internal controls over City funds.

### CITY COUNCIL MINUTES AS A PART OF INTERNAL CONTROL

Adequate review by the City Council is an important part of the internal control structure of the City. Minutes of meetings of the City Council represent the permanent official record of activities for the City. The City Council can take an active part in assuring that the City's financial statement properly reflects the financial activity of the City. The minutes should indicate important actions taken by the Council, including evidence of the Council's oversight of financial activity. We recommend that the Council take extra care to insure that minutes are accurate and identify all significant actions taken by the Council members at the meetings, and include the following items:

- Review of all financial activity of the City, including the financial statements and related schedules.
- Review of delinquent utility accounts. The City should authorize the write off of uncollected accounts after the meter has been turned off or pulled.



- Approval of all bills payable or paid by the City. The Council at the next meeting should still approve these bills after payment.
- Significant other revenue items received or expected to be received should be identified in the minutes, including grants, reimbursements from the State, or insurance payments.

Based on our review of the Council minutes, you appear to be already doing these procedures. We are simply emphasizing the importance of the Council performing these actions and documenting such actions in the monthly minutes.

Restriction on Use

This communication is intended solely for the information and use of the Mayor, City Council, and management of the City of Mound City, Kansas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Diehl, Banwart Bolton, CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

# Diehl Banwart Bolton

Certified Public Accountants P.A.

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor, City Council, and management  
of the City of Mound City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Mound City, Kansas, as of and for the year ended December 31, 2019 and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Mound City, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Mound City, Kansas as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Mound City, Kansas as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### **Other Matters**

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

### **Prior Year Comparative Numbers**

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Mound City, Kansas as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated March 8, 2019, which contained an unmodified opinion on the basic financial statement. The 2018 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/oar/municipal-services>. The 2018 actual column (2018 comparative information) presented in the schedule of regulatory basis receipts and expenditures – actual for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2018 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.

*Diehl, Banwart, Bolton CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

February 21, 2020  
Fort Scott, Kansas

# CITY OF MOUND CITY, KANSAS

## Summary Statement of Receipts, Expenditures, and Unencumbered Cash Balance Regulatory Basis For the Year Ended December 31, 2019

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus Encumbrances and Accounts Payable	2019 Cash Balance	2018 Cash Balance
General Fund	\$ 138,841.94	\$ 622,410.48	\$ 510,666.90	\$ 250,585.52	\$ 8,487.44	\$ 259,072.96	\$ 138,841.94
Special Purpose Funds:							
Special Streets	8,127.68	18,723.10	17,214.38	9,636.40	-	9,636.40	8,127.68
Special Parks & Recreation	45.82	-	45.82	-	-	-	45.82
Equipment Reserve	16,500.00	2,000.00	-	18,500.00	-	18,500.00	16,500.00
Business Funds:							
Water Utility	91,982.81	271,110.78	271,590.32	91,503.27	21,342.81	112,846.08	112,748.18
Sewer Disposal	83,216.93	150,933.02	177,549.45	56,600.50	16,010.16	72,610.66	83,216.93
Refunding Bond and Interest	1.05	86,456.25	86,456.00	1.30	-	1.30	1.05
Total Primary Government	\$ 338,716.23	\$ 1,151,633.63	\$ 1,063,522.87	\$ 426,826.99	\$ 45,840.41	\$ 472,667.40	\$ 359,481.60
Composition of Cash:							
Checking accounts.....							\$ 402,405.90
Petty Cash.....							1,000.00
Cash on Hand.....							261.50
Certificates of Deposit.....							69,000.00
Totals.....							\$ 472,667.40
							\$ 359,481.60

The notes to the financial statement are an integral part of this statement.



# CITY OF MOUND CITY, KANSAS

## NOTES TO THE FINANCIAL STATEMENT

For the Year Ended December 31, 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the City of Mound City, Kansas, has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas. The more significant of the City's accounting policies follow.

#### Nature of Organization

The City of Mound City, Kansas is a municipal corporation governed by an elected Mayor and five-members City Council.

#### Financial Reporting Entity

This regulatory basis financial statement presents the City of Mound City, Kansas (the City) and its related municipal entities. The City has determined that there are no related municipal entities which should be accounted for in its financial statement.

#### Basis of Presentation and Basis of Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

#### Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City of Mound City, Kansas:

General fund – the chief operating fund used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest funds – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service funds, etc.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

*Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America.* The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project and trust funds.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Deposits and Investments

Deposits and investments include checking accounts, a money market checking account, and certificates of deposit. Kansas statutes permit investment in checking accounts, savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1<sup>st</sup> of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20<sup>th</sup> during the year levied with the balance to be paid on or before May 10<sup>th</sup> of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1<sup>st</sup> of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31<sup>st</sup>, such taxes are a lien on the property.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

This financial statement is designed to show compliance with the cash basis and budget laws of Kansas and Kansas Statutes. The City was in apparent compliance with the cash basis and budget laws of Kansas and Kansas Statutes, except that expenditures exceeded the approved budget in the Special Parks and Recreation Fund in apparent violation of K.S.A. 79-2935.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices, but has limited the investments to time deposits at the local bank.

3. DEPOSITS AND INVESTMENTS (Continued)

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not have any "peak periods" designated. All deposits were legally secured at December 31, 2019.

At December 31, 2019, the City's carrying amount of deposits was \$472,667.40 and the bank balance was \$472,643.62. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$280,802.32 was covered by federal depository insurance, and \$191,841.30 was collateralized with securities totaling \$460,717.50 held by the pledging financial institutions' agents in the City's name.

4. WATER CONSUMER DEPOSITS

Water consumers are required to make cash deposits to the City when starting new water service. The deposits are refunded to the consumers when service is terminated or if customers account is in good standing for 12 months. Currently, the City has \$6,954.60 of consumer deposits, which are included with Water Utility Fund cash in the financial statement.

5. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss by carrying various commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

*Plan description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.



6. DEFINED BENEFIT PENSION PLAN (Continued)

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City were \$22,235.19 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$178,892. The total net pension liability as of June 30, 2019 was \$8,900,634,092. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

7. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Water Utility	Refunding Bond and Interest	KSA 12-825d	\$ 19,020.36
Sewer Utility	Refunding Bond and Interest	KSA 12-825d	67,435.89
Sewer Utility	Equipment Reserve	KSA 12-825d	2,000.00

8. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Termination Benefits and Compensated Absences. No termination benefits are provided by the City when employment with the City ends except for accrued compensated absences as discussed below.

Compensated Absences. Full-time employees earn and accumulate vacation leave from 12 to 21 days a year based on the number of years of service with the City. Up to 100 hours of vacation may be accumulated and carried over to the next year, and is payable upon retirement.

Full-time employees earn and accumulate sick leave from the beginning of employment at the rate of one day per month worked. Sick leave may be accumulated up to 240 hours. Sick pay is lost upon termination of employment.

City employees are paid overtime for up to 5 hours over the 40 hour a week work period, and anything in excess of 5 hours would be in compensatory time. All compensatory time will be taken before vacation time.

The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and is material.

In accordance with the above criteria, the City has not accrued a liability for sick and vacation pay, which has been earned but not taken by City employees, since the accrued sick pay is not collectible upon termination and the accrued vacation amount is considered immaterial.

9. MAJOR SUPPLIER

During 2019, the City purchased water totaling \$149,391.35 for resale from Public Wholesale Water Supply District #13.

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to December 31, 2019 through February 21, 2020, the date of the financial statement. During this period, there were no subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement.



11. LONG TERM OBLIGATIONS (Continued)

Changes in long-term liabilities for the City for the year ended December, 2018, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Balances End of Year	Interest Paid
<u>General Obligation Bonds</u>									
Refunding Series 2013	Variable	8-23-2013	\$ 1,255,000	6-1-2032	\$ 1,000,000.00	\$ -	\$ 55,000.00	\$ 945,000.00	\$ 31,456.25
<u>Capital Leases</u>									
New City Hall	4.50%	9-1-2008	180,000	9-1-2023	70,601.81	-	13,647.73	56,954.08	2,876.27
Road Grader	3.21%	8-23-2013	84,000	3-12-2020	25,568.23	-	12,582.04	12,986.19	820.73
2015 Ford Taurus	3.50%	7-1-2015	18,780	7-1-2020	7,901.63	-	3,876.31	4,025.32	283.11
Bob Cat Excavator & UTV	4.50%	7-14-2017	56,259	7-14-2023	47,883.43	-	8,760.60	39,122.83	2,150.09
Total Capital Leases					151,955.10	-	38,866.68	113,088.42	6,130.20
Total Long Term Obligations					\$ 1,151,955.10	\$ -	\$ 93,866.68	\$ 1,058,088.42	\$ 37,586.45

# 11. LONG TERM OBLIGATIONS (Continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2020	2021	2022	2023	2024	2025 2029	2030 2034	Totals
<b>Principal</b>								
General Obligation Bonds Series 2013	\$ 55,000.00	\$ 55,000.00	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 335,000.00	\$ 320,000.00	\$ 945,000.00
Capital Leases								
New City Hall	14,254.29	14,909.12	15,594.04	12,196.63	-	-	-	56,954.08
Road Grader	12,986.19	-	-	-	-	-	-	12,986.19
2015 Ford Tarus	4,025.32	-	-	-	-	-	-	4,025.32
Bob Cat Excavator & UTV	9,146.57	9,538.15	9,988.28	10,429.83	-	-	-	39,122.83
Totals	40,412.37	24,467.27	25,582.32	22,626.46	-	-	-	113,088.42
Total Principal	\$ 95,412.37	\$ 79,467.27	\$ 85,582.32	\$ 82,626.46	\$ 60,000.00	\$ 335,000.00	\$ 320,000.00	\$ 1,058,088.42
<b>Interest</b>								
General Obligation Bonds Series 2013	\$ 30,425.00	\$ 29,256.25	\$ 27,887.50	\$ 27,887.50	\$ 27,887.50	\$ 110,581.25	\$ 50,450.00	\$ 304,375.00
Capital Leases								
New City Hall	2,269.71	1,614.88	929.96	173.73	-	-	-	4,988.28
Road Grader	416.58	-	-	-	-	-	-	416.58
2015 Ford Tarus	134.10	-	-	-	-	-	-	134.10
Bob Cat Excavator & UTV	1,760.87	1,349.29	919.16	477.61	-	-	-	4,506.93
Totals	4,581.26	2,964.17	1,849.12	651.34	-	-	-	10,045.89
Total Interest	\$ 35,006.26	\$ 32,220.42	\$ 29,736.62	\$ 28,538.84	\$ 27,887.50	\$ 110,581.25	\$ 50,450.00	\$ 314,420.89



REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION

## Schedule 1

## CITY OF MOUND CITY, KANSAS

Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Fund	\$ 654,891.00	\$ 25,189.00	\$ 680,080.00	\$ 510,666.90	\$ (169,413.10)
Special Purpose Funds:					
Special Streets	28,000.00	-	28,000.00	17,214.38	(10,785.62)
Special Parks & Recreation	45.00	-	45.00	45.82	0.82
Business Funds:					
Water Utility	293,280.00	-	293,280.00	271,590.32	(21,689.68)
Sewer Disposal	193,196.00	-	193,196.00	177,549.45	(15,646.55)
Refunding Bond & Interest	86,456.00	-	86,456.00	86,456.00	-
Total Primary Government	\$ 1,255,868.00	\$ 25,189.00	\$ 1,281,057.00	\$ 1,063,522.87	



## CITY OF MOUND CITY, KANSAS

## GENERAL FUND

## Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Receipts				
Taxes				
Ad valorem property tax	\$ 270,695.28	\$ 289,818.53	\$ 302,129.00	\$ (12,310.47)
Delinquent	12,887.30	21,572.07	-	21,572.07
Motor vehicle	38,740.29	40,220.65	44,105.00	(3,884.35)
Intergovernmental				
Sales tax	154,819.74	156,882.25	156,000.00	882.25
Utility franchise taxes	23,426.67	18,518.30	19,000.00	(481.70)
CFAP CI grant	1,246.00	5,769.00	-	5,769.00
County park appropriation	800.00	800.00	800.00	-
County waste appropriation	3,900.00	3,900.00	3,900.00	-
KDWP grant	3,399.00	5,665.00	4,532.00	1,133.00
County pipeline grant	35,961.00	38,573.00	33,170.00	5,403.00
Enbridge grant	999.00	-	-	-
Licenses and Permits				
Licenses and permits	1,425.00	1,040.00	1,500.00	(460.00)
Streets				
Streets Income	1,125.60	25.00	1,500.00	(1,475.00)
Police Department				
Municipal Court	432.00	1,626.00	6,000.00	(4,374.00)
Other	25.00	583.33	-	583.33
Parks and Recreation				
Ball Complex Lease	3,000.00	3,000.00	3,000.00	-
Other	2,307.96	287.00	1,500.00	(1,213.00)
Planning and Zoning				
Fees	259.00	245.38	-	245.38
Other Receipts				
Interest	923.53	1,254.71	-	1,254.71
Insurance proceeds	-	25,189.00	-	25,189.00
Other	5,467.22	7,441.26	-	7,441.26
Total Receipts	561,839.59	622,410.48	\$ 577,136.00	\$ 45,274.48

**CITY OF MOUND CITY, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Expenditures				
General Government				
Personal services	\$ 83,482.80	\$ 80,317.97	\$ 130,476.00	\$ (50,158.03)
Contractual services	8,970.86	39,411.83	8,000.00	31,411.83
Commodities	14,452.58	20,221.80	18,000.00	2,221.80
Capital outlay	35,216.87	1,795.00	5,000.00	(3,205.00)
Street Department				
Personal services	17,084.34	-	28,000.00	(28,000.00)
Contractual services	2,550.54	2,565.87	6,000.00	(3,434.13)
Commodities	10,162.18	13,959.30	15,500.00	(1,540.70)
Capital outlay	52,965.40	79,647.45	97,100.00	(17,452.55)
Police Department				
Personal services	71,741.99	63,228.48	68,640.00	(5,411.52)
Contractual services	2,434.66	3,532.96	6,000.00	(2,467.04)
Commodities	16,077.67	12,204.23	18,000.00	(5,795.77)
Capital outlay	-	-	1,200.00	(1,200.00)
Park and Recreation				
Personal services	11,567.05	2,892.40	5,000.00	(2,107.60)
Contractual services	4,329.50	6,433.42	8,000.00	(1,566.58)
Commodities	26,057.40	20,835.13	35,500.00	(14,664.87)
Capital outlay	24,247.73	12,157.00	38,000.00	(25,843.00)
Planning and Zoning				
Personal services	-	-	200.00	(200.00)
Contractual services	-	-	200.00	(200.00)
Commodities	159.00	82.20	600.00	(517.80)
Employee Benefits				
FICA	19,556.58	19,399.41	28,000.00	(8,600.59)
Unemployment	658.87	201.26	2,000.00	(1,798.74)
State retirement fund	22,989.56	22,235.17	25,000.00	(2,764.83)
Worker's compensation	5,521.00	10,536.00	10,000.00	536.00
Health insurance	66,394.34	60,360.94	65,000.00	(4,639.06)
Operating Transfers to Other Funds				
Equipment Reserve	5,500.00	-	-	-



**CITY OF MOUND CITY, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Debt Service on Capital Leases	\$ 38,649.08	\$ 38,649.08	\$ 35,475.00	\$ 3,174.08
Subtotal			654,891.00	
Adjustment for Qualifying Budget Credits				
Insurance proceeds paid out	-	-	25,189.00	(25,189.00)
Total Expenditures	540,770.00	510,666.90	\$ 680,080.00	\$ (169,413.10)
Receipts Over (Under) Expenditures	21,069.59	111,743.58		
Unencumbered Cash, Beginning	117,772.35	138,841.94		
Unencumbered Cash, Ending	\$ 138,841.94	\$ 250,585.52		

## CITY OF MOUND CITY, KANSAS

## SPECIAL STREETS FUND

## Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
State gasoline tax	\$ 18,516.38	\$ 18,723.10	\$ 18,440.00	\$ 283.10
Total Receipts	18,516.38	18,723.10	\$ 18,440.00	\$ 283.10
Expenditures				
Public Streets				
Commodities	1,412.25	45.01	\$ -	\$ 45.01
Capital Outlays	18,253.44	17,169.37	28,000.00	(10,830.63)
Total Expenditures	19,665.69	17,214.38	\$ 28,000.00	\$ (10,785.62)
Receipts Over (Under) Expenditures	(1,149.31)	1,508.72		
Unencumbered Cash, Beginning	9,276.99	8,127.68		
Unencumbered Cash, Ending	\$ 8,127.68	\$ 9,636.40		



**CITY OF MOUND CITY, KANSAS**  
**SPECIAL PARKS AND RECREATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Receipts				
Taxes				
Local alcohol liquor tax	\$ -	\$ -	\$ -	\$ -
Total Receipts	-	-	\$ -	\$ -
Expenditures				
Recreation				
Commodities	200.00	45.82	\$ 45.00	\$ 0.82
Total Expenditures	200.00	45.82	\$ 45.00	\$ 0.82
Receipts Over (Under) Expenditures	(200.00)	(45.82)		
Unencumbered Cash, Beginning	245.82	45.82		
Unencumbered Cash, Ending	\$ 45.82	\$ -		

## CITY OF MOUND CITY, KANSAS

## EQUIPMENT RESERVE FUND

## Schedule of Receipts and Expenditures - Actual

## Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Other Funds		
General	\$ 5,500.00	\$ -
Water Utility	2,000.00	-
Sewer Utilitiy	2,000.00	2,000.00
Total Receipts	9,500.00	2,000.00
Expenditures		
General Government		
Capital outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	9,500.00	2,000.00
Unencumbered Cash, Beginning	7,000.00	16,500.00
Unencumbered Cash, Ending	\$ 16,500.00	\$ 18,500.00



## CITY OF MOUND CITY, KANSAS

## WATER UTILITY FUND

## Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Receipts				
Operating Revenues				
Water sales	\$ 267,965.02	\$ 242,555.94	\$ 272,000.00	\$ (29,444.06)
Water coin sales	20,564.84	21,617.35	18,000.00	3,617.35
Wholesale water sales	5,146.45	3,534.74	5,500.00	(1,965.26)
Nonoperating Revenues				
Consumer deposits	4,153.50	2,199.77	5,500.00	(3,300.23)
Reimbursed expenses	-	-	1,000.00	(1,000.00)
Other miscellaneous	2,500.86	1,202.98	2,500.00	(1,297.02)
Total Receipts	300,330.67	271,110.78	\$ 304,500.00	\$ (33,389.22)
Expenditures				
Operating Expenditures				
Personal services	55,395.06	44,982.83	\$ 50,000.00	\$ (5,017.17)
Contractual services	7,775.42	5,053.87	8,000.00	(2,946.13)
Commodities	200,185.52	169,923.17	200,000.00	(30,076.83)
Capital outlay	10,744.85	26,366.80	3,000.00	23,366.80
Nonoperating Expenditures				
Tax and water protection fees	691.95	608.13	3,000.00	(2,391.87)
Consumer deposit refunds	4,329.86	2,461.25	5,500.00	(3,038.75)
Operating Transfers to				
Equipment Reserve	2,000.00	-	-	-
Refunding Bond and Interest	19,217.00	19,020.36	19,020.00	0.36
Debt Service on Capital Leases	3,173.90	3,173.91	4,760.00	(1,586.09)
Total Expenditures	303,513.56	271,590.32	\$ 293,280.00	\$ (21,689.68)
Receipts Over (Under) Expenditures	(3,182.89)	(479.54)		
Unencumbered Cash, Beginning	95,165.70	91,982.81		
Unencumbered Cash, Ending	\$ 91,982.81	\$ 91,503.27		

## CITY OF MOUND CITY, KANSAS

## SEWER DISPOSAL FUND

## Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Receipts				
Operating Revenues				
Sewer service charges	\$ 119,454.02	\$ 114,741.12	\$ 118,000.00	\$ (3,258.88)
Sewer dumps	31,850.50	36,107.50	32,000.00	4,107.50
Other Receipts				
Miscellaneous	94.80	84.40	1,500.00	(1,415.60)
Total Receipts	151,399.32	150,933.02	\$ 151,500.00	\$ (566.98)
Expenditures				
Production Costs				
Personal services	27,401.26	61,623.07	\$ 21,000.00	\$ 40,623.07
Contractual services	10,126.67	5,459.71	51,000.00	(45,540.29)
Commodities	28,555.46	15,547.64	25,000.00	(9,452.36)
Capital outlay	13,075.86	22,309.00	24,000.00	(1,691.00)
Operating Transfers to Other Funds				
Equipment Reserve	2,000.00	2,000.00	-	2,000.00
Refunding Bond and Interest	68,133.00	67,435.89	67,436.00	(0.11)
Debt Service on Capital Leases	3,173.90	3,174.14	4,760.00	(1,585.86)
Total Expenditures	152,466.15	177,549.45	\$ 193,196.00	\$ (15,646.55)
Receipts Over (Under) Expenditures	(1,066.83)	(26,616.43)		
Unencumbered Cash, Beginning	84,283.76	83,216.93		
Unencumbered Cash, Ending	\$ 83,216.93	\$ 56,600.50		



**CITY OF MOUND CITY, KANSAS**  
**REFUNDING BOND AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Figures for the Year Ended December 31, 2018)

	Prior Year Actual	Current Year Actual	Budget	Variance - Over (Under)
Receipts				
Operating Transfers from Other Funds				
Sewer Utility	\$ 68,133.00	\$ 67,435.89	\$ 67,436.00	\$ (0.11)
Water Utility	19,217.00	19,020.36	19,020.00	0.36
Total Receipts	<u>87,350.00</u>	<u>86,456.25</u>	<u>\$ 86,456.00</u>	<u>\$ 0.25</u>
Expenditures				
Debt Service on General Obligation Bonds				
Principal	55,000.00	55,000.00	\$ 55,000.00	\$ -
Interest	32,350.00	31,456.00	31,456.00	-
Total Expenditures	<u>87,350.00</u>	<u>86,456.00</u>	<u>\$ 86,456.00</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	-	0.25		
Unencumbered Cash, Beginning	<u>1.05</u>	<u>1.05</u>		
Unencumbered Cash, Ending	<u>\$ 1.05</u>	<u>\$ 1.30</u>		